

JAC/ 1. Circulate  
2. tele SC - 56

JAC/ SAFC - 17369 (Not on Outgoing)  
Copy 2 of 8

JAC/ 9 July 1957

Dear George:

25X1A  
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As a sequel to our conversation in Los Angeles on 26 June regarding the question of the payment of certain monies withheld from [REDACTED] and [REDACTED] terminated from the Project for various reasons, I am writing you to more or less formally state the position which we have been obliged to take as a result of an opinion rendered by our General Counsel on 24 June.

25X1A

Our General Counsel read your memorandum of 22 May, together with its several attachments, and stated that he felt the Government was bound by the terms of Section 16 of the Lockheed Agreement of Employment and the action taken at the time of the termination of three employees - two of whom were separated involuntarily and the third left as a result of his own decision to terminate his contract overseas. Counsel held that to pay these people monies withheld during their Project tenure would constitute a gratuity or retroactive payment - either of which is illegal from a U.S. Government position. He also held that it would be impossible to reform the contract now in order to cover these individuals. Any contract amendment that would be considered would embrace prospective cases only.

I am sorry that our position is such that we cannot consider approval of these payments, but I trust that you will understand. In the event that you have made any commitment to these individuals to advise them of a decision on the payment of sums withheld, please feel free to cite to them the substance of what I have communicated to you in this memorandum as being the basis upon which you cannot now effect such payments.

With best personal regards,

Sincerely,

Distribution:

JAMES A. CUNNINGHAM, JR.

1&2 - [REDACTED] LAC  
3 - Dep Proj Dir  
4 - Contr  
5 - Pers  
6 - Fin  
7 - Admin

ROUTING  
NO CHANGES IN CLASS. X  
P.D. APPROVED  
CIA/CIA/AMERICAN TO: TS S/C  
DATE: 9/1/57 BY: [REDACTED] 26/PC  
APPROVED BY: [REDACTED]